

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 MADRID 000995

SIPDIS

STATE FOR EB, S/CT, EUR/ERA AND EUR/WE  
TREASURY FOR DAS ZARATE AND OFAC

E.O. 12958: DECL: 03/25/2014

TAGS: [ETTC](#) [EFIN](#) [PTER](#) [SP](#)

SUBJECT: TERRORISM FINANCE: MORE IMPORTANT THAN EVER FOR  
SPAIN

REF: A) STATE 37211 B) MADRID 960

Classified By: Economic Counselor Judy Garber, reason 1.4 (b) and (d).

11. (C) Summary. Spain has been a strong ally in the fight against terrorism finance. That said, the GOS has not always been as pro-active as we believe they could and should be in this fight. While Spain passed bold new laws after September 11 providing the government with administrative authorities to freeze suspected terrorist assets, we sense a reluctance on the part of our contacts to utilize these new powers and the regulations to implement those laws have stalled. The horrific attacks of March 11 may well provide new impetus. Whereas before, Spain looked to test these new authorities against ETA rather than joining us in actions against non-Al-Qaeda Sanctions Committee targets, officials may now feel less comfortable with such a narrow approach. We are consulting closely with our working level contacts involved in these issues as they prepare transition papers for the new government. We believe terrorism finance is an area ripe for continued strong bilateral cooperation. End Summary.

#### Strong Support With Lackluster Results

12. (C) Spain has been as strong ally of the United States in the fight against terrorism finance. They worked closely with the United States during their EU Presidency on UNSCR 1373. Spain agreed to chair with the United States the Financial Action Task Force (FATF) Working Group on Terrorism Finance. They have worked closely with the United States as UN Counterterrorism Committee (CTC) Chair. At our urging, they adopted new terrorism finance legislation providing the government with unprecedented administrative authority to freeze suspected terrorist financial assets. Spain has been an important part of a core group of EU countries seeking to reform the EU clearinghouse process to make it more effective. They strongly supported our efforts to have the EU designate Hamas as a terrorist organization and have been working with other EU member states to extend the designation of the PKK to KADEK/Kongra Gel. Last but not least, Spain has been a prominent provider of counter-terrorism assistance in Latin America, North Africa and elsewhere.

13. (C) Yet for all of that support, the results in Spain have been marginal in measurable terms. While Spanish authorities have moved rapidly to freeze accounts of those individuals added to UN 1267 Sanctions Committee or EU lists, little actual monies have been seized. Of those accounts that have been frozen, the majority have been later unblocked due to lack of clear identifiers leading to initial error in the freezing action or upon petition of hardship. Action taken by Spanish authorities through judicial rather than administrative channels are very difficult to track as there is no central registry of such freezing orders.

#### Areas for Improvement

14. (C) While we do not believe that Spain has failed to freeze any accounts of individuals on these lists, we believe they have not used administrative authorities now at their disposal to go after suspected terrorist assets. In fairness, implementing regulations for the law passed in May 2003 have yet to be approved and relevant authorities (members of the Terrorism Finance Oversight Committee) are concerned about using their new powers without full legal cover. Likewise, there is considerable reluctance by the Ministry of Interior to notify for coordinated UN freezing (or EU action) any suspected Islamic terrorist financiers already in custody, much less those under suspicion. Officials voice concern that without an actual prior conviction of such individuals by a court of law, a judicial appeal process could theoretically overturn administrative actions to freeze assets. Our arguments that such administrative actions are meant to be preventative and pro-active in nature have fallen on deaf ears.

15. (C) We also suspect that oversight of Islamic charities in Spain has not been as strong as it could be. We base this conclusion on primarily anecdotal evidence. For example, one Spanish businessman told us that in the process of due

diligence for a multimillion dollar investment in Cartegena, he inquired whether there were security concerns arising from the area's large immigrant population. The police reportedly responded that they knew that many of the North African immigrants in the area gave heavily to Islamic charities and suspected that some of these funds were being siphoned off to extremist causes but had no real proof. This tracks with comments of our Ministry of Economy contacts who questioned with us the conviction of senior level officials at the Ministry of Interior (prior to March 11) that Islamic terrorism in Spain was an area of legitimate concern. The focus was clearly on ETA.

#### New Government, New Opportunities

-----

16. (C) Spanish President-elect Zapatero has stated clearly that the fight against terrorism will be a priority for his government. The terrorist attacks of March 11 virtually leave him no choice. Our working level contacts on terrorism finance are starting to prepare the briefing papers for the incoming Zapatero government. We are consulting closely with them, sharing thoughts on areas of emphasis -- ie, the importance of Spain notifying UNSC of suspected Al-Qaeda members for asset freezing purposes, reform of the EU clearinghouse, eliminating distinctions in EU law between domestic and international terrorism, etc. We will also try to glean inklings of the likely views of incoming officials (as they are named) who will be vital to keeping Spain front and center on these issues.

17. (C) Our contacts believe Spain will continue to be active on terrorism finance issues given the long-standing fight against ETA terrorism and the need to apply lessons learned from the investigation of the March 11 terrorist attacks. Many think the new government will want to announce new initiatives (real or recycled) in the fight against terrorism quickly, including in the area of terrorism finance. We understand Treasury has already reached out to its contacts offering to support a conference on these issues should Spain still be interested in hosting an event similar to January's ill-fated terrorism finance conference. It is too soon to know if such a conference would be favored by the new government, but such offers will be important gestures to the new government. Spain has a lot to offer on terrorism finance -- and a lot more to do itself as evidence of its role as an al-Qaeda logistical base becomes ever clearer. We strongly believe terrorism finance should remain a key area for continued bilateral cooperation.

ARGYROS